

# **San Jose Sports Facility Task Force**

## **Major League Baseball Funding Analysis**

**January 13, 2005**

**The contents of this presentation were taken from industry publications and various other sources of public information. No attempt has been made to verify or alter this information. Information presented may vary from actual and these differences may be material.**

# Presentation Outline

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- 1. Introduction**
- 2. MLB Ballpark Financing Trends**
- 3. Spectrum of Funding Sources**
- 4. Potential San Jose Funding Strategies**
- 5. Case Studies**

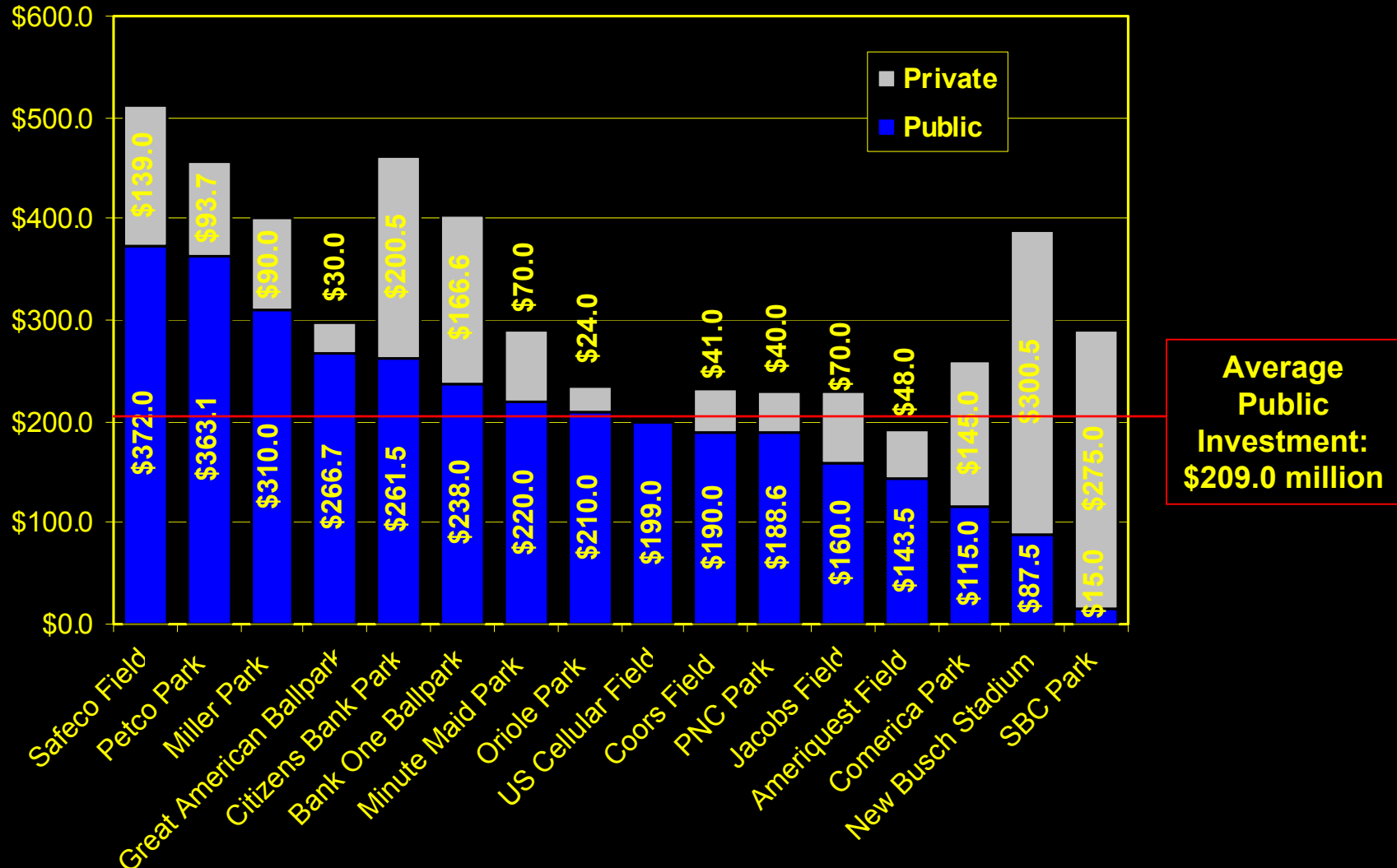
# Introduction

- **CSL completed a preliminary MLB market analysis and facility review in June 2004.**
- **Previous analysis included development of preliminary estimates related to a MLB franchise playing in a new stadium in San Jose.**
- **A preliminary funding analysis was also completed, including analyses of comparable facility funding and the development of potential San Jose-specific funding scenarios.**
- **The purpose of this analysis is to provide further information on funding mechanisms that could potentially be used to construct a MLB ballpark in San Jose.**

# **Major League Baseball Financing Trends**

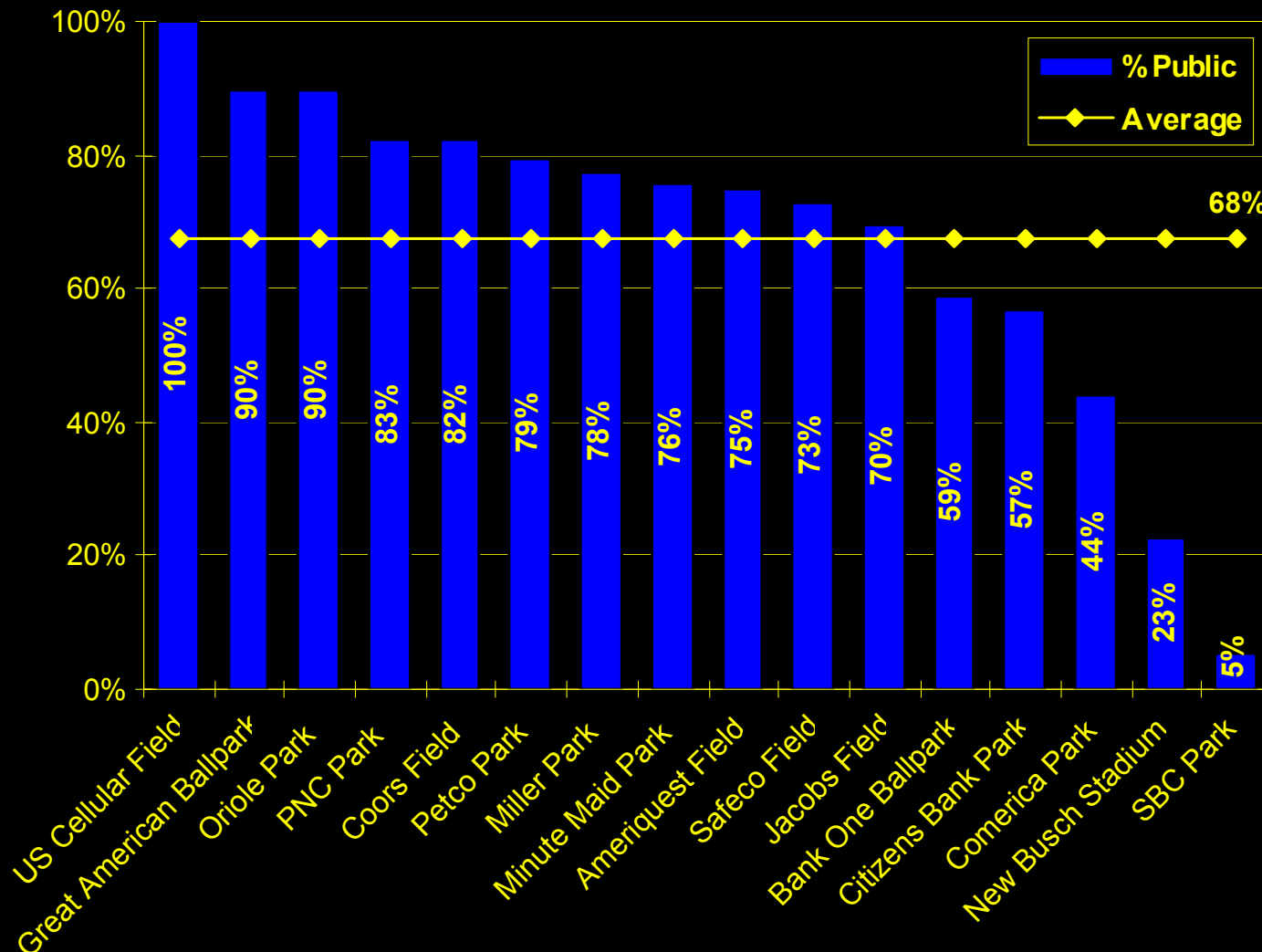
# Comparable Facility Funding

## Public vs. Private Ballpark Funding Contributions



# Comparable Facility Funding

Percentage of Public Funding





# Public Funding Sources (Specific Revenues)

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## City/County Sales Tax

- Ameritrust Field
- Bank One Ballpark
- Coors Field
- Great American Ballpark
- Miller Park
- PNC Park
- Safeco Field

## Car Rental Tax

- Comerica Park
- Minute Maid Park
- Safeco Field

## Lottery Funds/Gaming

- Oriole Park
- Safeco Field

## Ticket Tax

- Ameritrust Field
- New DC Ballpark
- Safeco Field

## Sale of Tax Credits

- New Busch Stadium

## Lodging Tax

- Comerica Park
- Miller Park
- Minute Maid Park
- New Busch Stadium
- Tropicana Field
- US Cellular Field

## Other Taxes

- Jacobs Field (Excise)
  - Safeco Field (F&B)
  - New DC Ballpark
- (Business, Concessions, Merchandise, Parking)

## Land Contribution

- PNC Park
- Safeco Field

# Public Funding Sources (Contributions)

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## State Contributions

- Citizens Bank Park (Grant)
- Comerica Park (Grant)
- Great American Ballpark (Grant)
- Jacobs Field (Grant)
- Miller Park (Grant)
- New Busch Stadium (DOT Infrastructure Grant)
- PNC Park (Grant)
- Safeco Field (Tax Rebate)
- Tropicana Field (Tax Rebate)

## County Contributions

- Jacobs Field (Cash)
- Miller Park (Cash)

## City Contributions

- Ameritrust Field (Cash)
- Jacobs Field (Grant)
- Miller Park (Cash)
- Petco Park (Operating Subsidy)

# Private Funding Sources

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## Team Contributions

- Bank One Ballpark
- Comerica Park
- Coors Field
- Great American Ballpark
- Minute Maid Park
- PNC Park
- Safeco Field
- SBC Park
- Tropicana Field
- Turner Field

## Corporate Contributions

- Jacobs Field
- Miller Park
- Minute Maid Park

## Seat Licenses

- Ameritrust Field
- Busch Stadium
- Safeco Field
- SBC Park

## Premium Seating

- Ameritrust Field
- Bank One Ballpark
- Coors Field
- Jacobs Field
- Oriole Park

## Concessionaire Rights

- Ameritrust Field
- Coors Field
- Miller Park
- Oriole Park

## Naming Rights

- Bank One Ballpark
- Coors Field
- Great American Ballpark
- Miller Park
- SBC Park

## Investment Income

- Ameritrust Field
- Jacobs Field

## Brick Naming Rights

- Ameritrust Field
- PNC Park

# **Spectrum of Sources**

# Spectrum of Sources



## **Fully Public:**

Nearly all costs incurred by local residents.

- Property Taxes
- Sales Taxes
- Food & Beverage Taxes
- Public Cash

## **Quasi-Public:**

Large share of costs incurred by non-local residents.

- Hotel Taxes
- Rental Car Taxes

## **Quasi-Private:**

Taxes implemented by public sector, but apply to facility users

- Ticket Taxes
- User Fees

## **Fully Private:**

Contributed directly by individuals or companies.

- Seat Licenses
- Naming Rights
- Corporate Contributions
- Development Rights
- Concessionaire/Pouring Rights

# **Potential San Jose Funding Strategies**

# Potential Funding Strategies

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- **Several unique funding strategies have been used to construct sports and entertainment facilities.**
- **These strategies represent potential opportunities beyond taxes and other typical funding sources to construct a MLB ballpark in San Jose.**
- **Specific funding strategies discussed herein include:**
  - **Tax Rebates**
  - **Ancillary Development**
  - **TIF/Enterprise District**
  - **Land Swap/Sale/Donation**

- Taxes generated by fan spending in the stadium are rebated by the taxing entity.
- Rebated revenue used to pay stadium debt service.
- Taxes rebated may include general sales tax or specific taxes on admissions, food & beverage and other such spending.
- Examples:
  - Florida Sports Facilities (State sales tax rebate)
  - Tennessee Sports Facilities (State sales tax rebate)
  - Conseco Fieldhouse (Sales and income taxes)



# Ancillary Development

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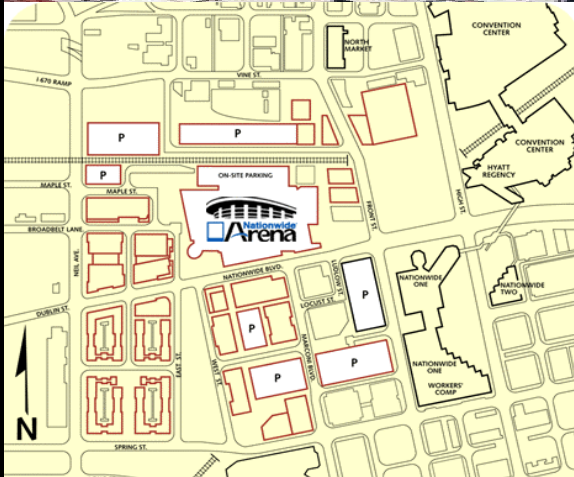
- Development rights may be sold to a private developer or retained by the tenant team, who finances its funding contribution through future revenues from the development.
- Public may justify contribution based on estimated future tax revenues generated by development.
- Developments often include restaurants, bars, retail establishments, residential developments and office space.
- Examples:
  - St. Louis Ballpark Village
  - Nationwide Arena
  - American Airlines Center/Victory Development
  - Glendale Arena/Westgate City Center Project
  - Proposed San Diego Chargers Stadium

# Victory Development



- 65 acres
- 600,000 sq. ft. entertainment/retail
- 4 million sq. ft. office
- 1,000 residential units
- \$1 billion of total development

# Nationwide Arena Development



- 95 acres
- 1.5 million sq. ft. of commercial space
- 350 residential units
- \$500 million of total development

# TIF/Enterprise District

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- Captures incremental tax revenues resulting from the stadium and surrounding development.
- District is formed in the area surrounding the new development.
- Can include property, sales and/or other taxes.
- Examples:
  - SBC Park
  - Petco Park
  - Sprint Center (Kansas City)

# Land Swap/Sale/Donation

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- Provides public with the opportunity to participate in sports facility project without using general funds or tax receipts.
- The City may buy the land on which the facility is to be built and lease or donate it to the tenant team, which constructs the facility.
- In exchange for investment in facility, developer is allowed to develop land surrounding facility or elsewhere in city or county.
- Developer's investment in the facility is recouped through revenues generated by new developments.
- Examples:
  - Proposed Sacramento Arena
  - New Charlotte Arena
  - Multiple MLB Facilities

# **Case Studies**

- The following case studies detail the funding mechanisms used to construct several new and planned MLB ballparks:
  - Proposed DC Ballpark
  - Citizens Bank Park
  - New Busch Stadium
  - SBC Park
  - Petco Park
- In addition, unique funding plans used to construct other sports facilities have been detailed, including:
  - American Airlines Center
  - Proposed Chargers Stadium
  - Glendale Arena
  - Proposed Sacramento Arena
  - Sprint Center

# Proposed DC Ballpark (2008)

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**Location: Washington DC**

**Total Cost: \$534.8 million**

## **Public Funding:**

- 10% ticket tax
- 10% in-stadium concessions tax
- 10% in-stadium merchandise tax
- 12% parking tax

## **Private Funding:**

- Team rent (\$3.5 million in Year 1, inflating thereafter).
- Ballpark Fee on all DC businesses with revenues of at least \$5.0 million per year.
- Private contributions, as generated.

## **Quasi-Private Funding:**

- Utilities tax (Phone, natural gas, heating oil, electric)



# New Busch Stadium (2006)

**Location: St. Louis, MO**

**Total Cost: \$388.0 million**

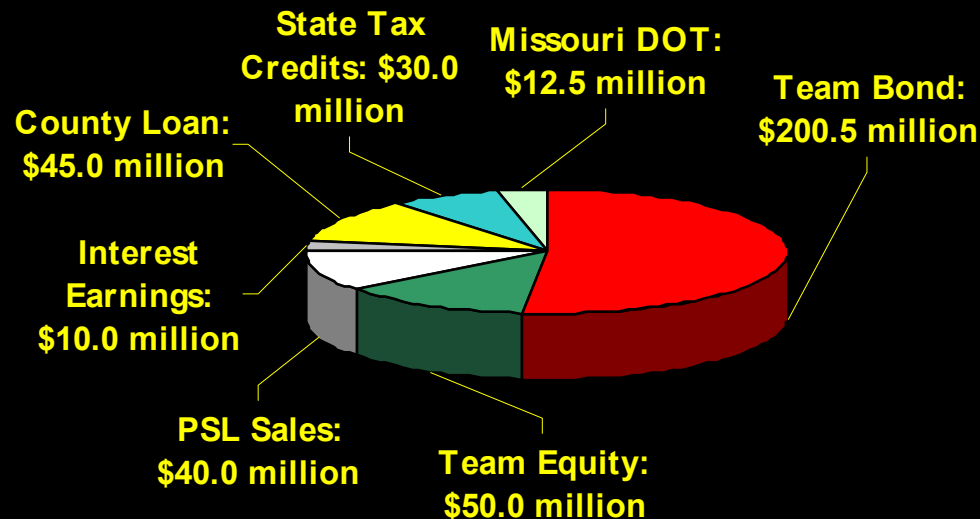
## **Public Funding - \$87.5 million (23%)**

- County Loan - \$45.0 million
- State Tax Credits - \$30.0 million
- Dept. of Transportation - \$12.5 million

## **Private Funding - \$300.5 million (77%)**

- Team Bond Placement - \$200.5 million
- Team Equity - \$50.0 million
- PSL Sales - \$40.0 million
- Interest Earnings - \$10.0 million

### **New Busch Stadium Funding**



# Petco Park (2004)

**Location: San Diego, CA**

**Total Cost: \$456.8 million**

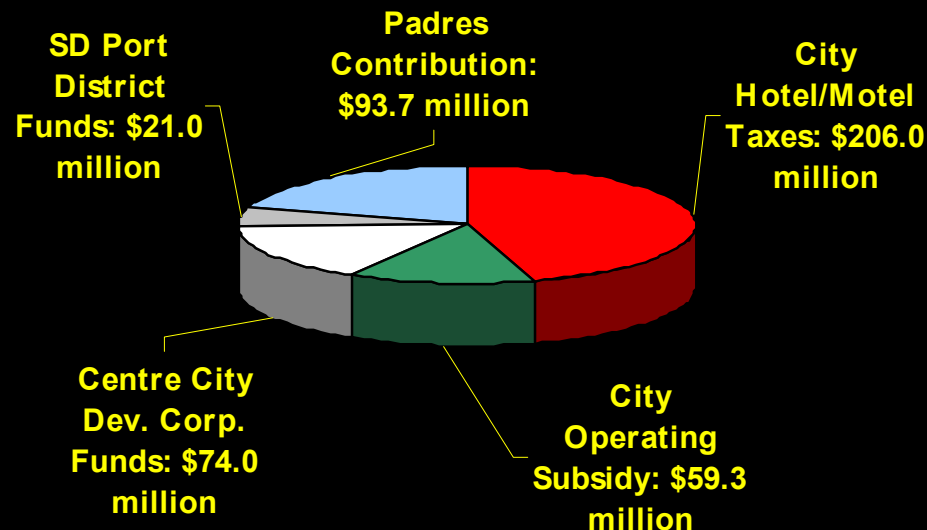
**Public Funding - \$363.1 million (79%)**

- City Hotel/Motel Taxes - \$206.0 million
- City Operating Subsidy - \$59.3 million
- Centre City Dev. Corp. - \$74.0 million
- San Diego Port District - \$21.0 million

**Private Funding - \$93.7 million (21%)**

- Team Contribution - \$93.7 million

**Petco Park Funding**



# Citizens Bank Park (2004)

**Location: Philadelphia, PA**

**Total Cost: \$462.0 million**

**Public Funding - \$261.5 million (57%)**

- City Bonds Issued by Philadelphia Authority for Industrial Development (PAID) and Philadelphia Industrial Development Corp. (PIDC) - \$176.5 million
- State Contribution - \$85.0 million

**Private Funding - \$200.5 million (43%)**

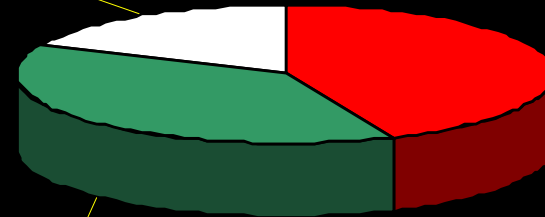
- Team Contribution - \$200.5 million

## Citizens Bank Park Funding

Commonwealth  
of Pennsylvania:  
\$85.0 million

Team  
Contribution:  
\$200.5 million

City PAID/PIDC  
Bonds: \$176.5  
million



# SBC Park (2000)

**Location: San Francisco, CA    Total Cost: \$290.0 million**

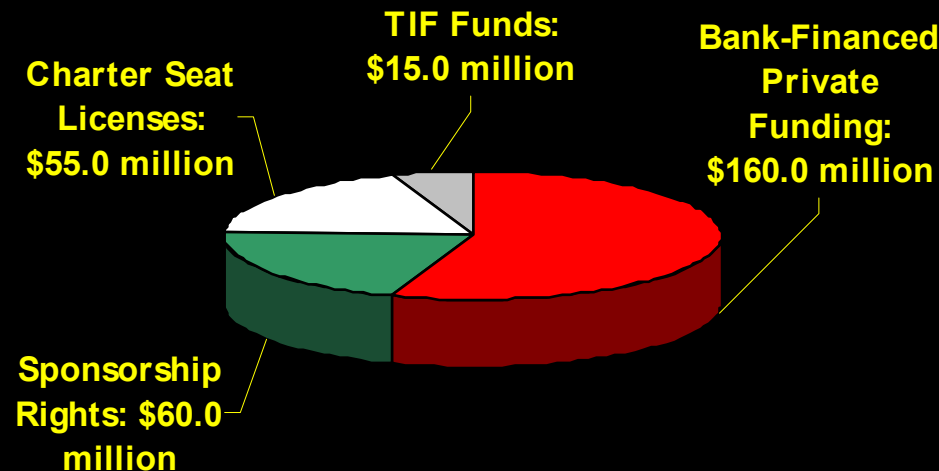
## **Public Funding - \$15.0 million (5%)**

- SF Redevelopment Agency TIF - \$15.0 million

## **Private Funding - \$275.0 million (95%)**

- Private loan - \$160.0 million
- Charter Seat Licenses - \$55.0 million
- Sponsorship Rights - \$60.0 million

### **SBC Park Funding**



# American Airlines Center (2001)

**Location: Dallas, TX**

**Total Cost: \$422.0 million**

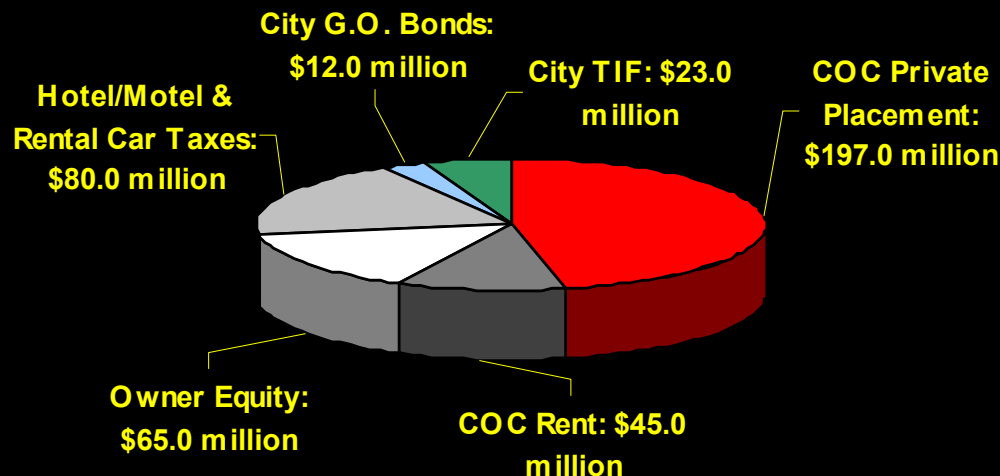
## **Public Funding - \$115.0 million (27%)**

- City Hotel/Motel and Rental Car Taxes - \$80.0 million
- City TIF - \$23.0 million
- City G.O. Bonds - \$12.0 million

## **Private Funding - \$307.0 million (73%)**

- Center Operating Company Private Placement - \$197.0 million
- Owner Equity - \$65.0 million
- COC rent payments - \$45.0 million

### **American Airlines Center Funding**



# Glendale Arena (2003)

**Location: Glendale, AZ**

**Total Cost: \$207.0 million**

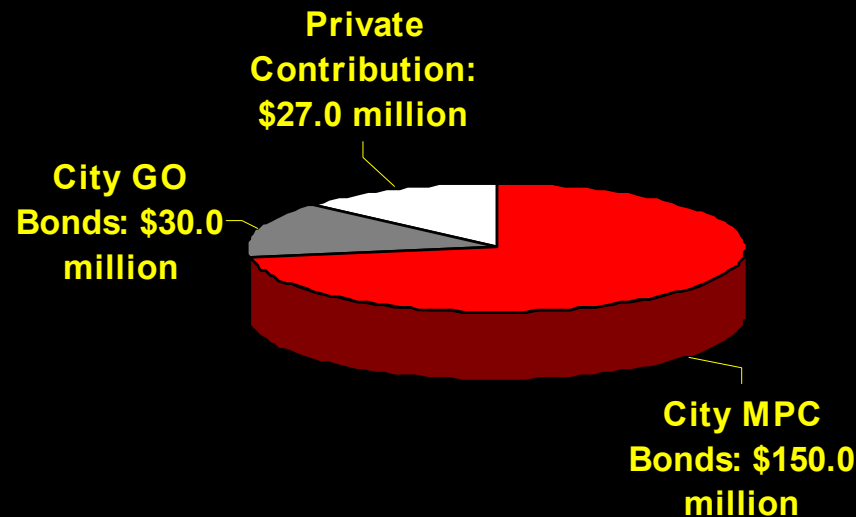
**Public Funding - \$180.0 million (87%)**

- City Municipal Property Corporation Bonds - \$150.0 million
- City G.O. Bonds - \$30.0 million

**Private Funding - \$27.0 million (13%)**

- Team Ownership Investment - \$27.0 million

## Glendale Arena Funding



# Sprint Center

**Location: Kansas City, MO**

**Total Cost: \$250.0 million**

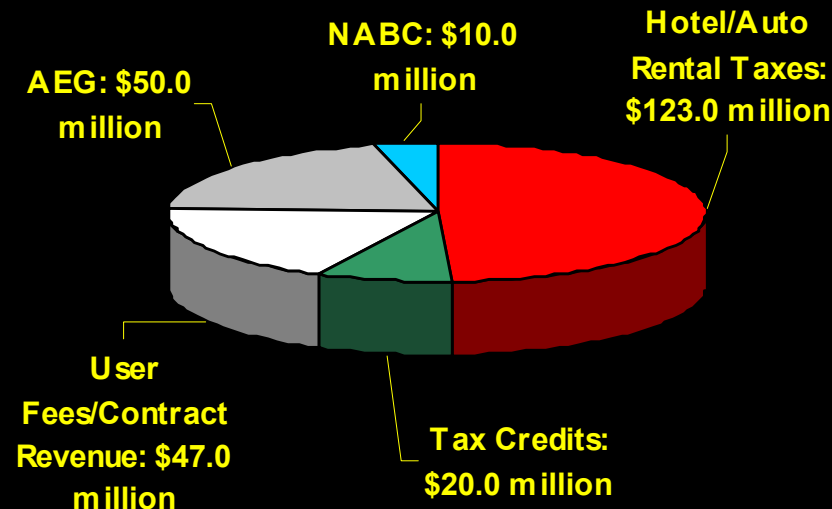
**Public Funding - \$143.0 million (57%)**

- Hotel & Rental Car Taxes - \$123.0 million
- Tax Credits - \$20 million

**Private Funding - \$107.0 million (43%)**

- User Fees/Contract Revenue - \$47.0 million
- AEG Contribution - \$50.0 million
- National Association of Basketball Coaches Contribution - \$10.0 million

## Sprint Center Funding



# Proposed Chargers Stadium

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- The NFL San Diego Chargers and the City of San Diego are discussing potential funding plans for a new stadium for the Chargers.
- The Chargers have proposed a plan in which the City would give the team 60 acres of the 166-acre stadium site.
- The Chargers would develop the 60 acres with housing, hotels, offices, retail and restaurants.
- The Chargers would fund a \$400 million stadium, with their stadium investment recouped through the additional development.
- The plan calls for the City to borrow \$175 million for site improvements for the development, which the team feels would be recouped through taxes generated by the new development.



# Proposed Sacramento Arena

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- The NBA Sacramento Kings and the City of Sacramento are discussing plans for a new arena to replace the existing Arco Arena.
- Under a recent proposal, private developers would finance the entire \$300 million cost of arena construction and provide an additional \$50 million endowment for arts and youth sports programs.
- In exchange, the City would allow the immediate development of approximately 10,000 acres of land that currently are not slated to be developed for more than 10 years.
- Allowing the developers to build on this land now would generate significant revenues for the developers, allowing them to recoup their arena and endowment investments.